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66<sup>th</sup>  
annual report  
1968

*Ken Smith*

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THE

**SOVEREIGN**  **LIFE**

ASSURANCE COMPANY OF CANADA



## board of directors

**Ralph M. Barford, Toronto, Ont.**

*President, General Steel Wares Ltd.*

**Roger H. Charbonneau, C.A., M.B.A., Montreal, Que.**

*Dean, Ecole des Hautes Etudes Commerciales de Montreal*

**Frederick G. Gardiner, Q.C., LL.D., Toronto, Ont.**

*Partner, Gardiner, Roberts, Anderson, Conlin,  
Fitzpatrick, O'Donohue and White*

**Joseph S. Land, Montreal, Que.**

*President*

**William R. Livingston, C.L.U., Toronto, Ont.**

*Vice President and Managing Director*

**H. Melville Meiklejohn, Winnipeg, Man.**

**Robert E. Moore, Winnipeg, Man.**

*Partner, Moody, Moore and Partners*

**Lyndon E. Nicol, Montreal, Que.**

*President, Industrial Acceptance Corporation Limited*

**John B. Pennefather, M.B.E., Montreal, Que.**

*Chairman, Industrial Acceptance Corporation Limited*

**Joseph H. Ranahan, Montreal, Que.**

*Director, Industrial Acceptance Corporation Limited*

**Arthur J. Vincent, Winnipeg, Man.**

*President, Smith, Vincent & Co. Limited*

**Grant E. Wemp, Montreal, Que.**

*Honorary Chairman, Industrial Acceptance Corporation Limited*

## executive officers

**J. S. Land**

*President*

**W. R. Livingston, C.L.U.**

*Vice President  
& Managing Director*

**R. J. McBey, R.I.A.**

*Secretary*

**J. H. Sutherland, C.L.U.**

*Director of Agencies*

**A. L. Thomson, F.C.I.A., A.S.A.**

*Actuary*

# a brief progress report

	1968	1967
BUSINESS IN FORCE .....	<b>\$680,316,998</b>	\$610,323,634
Ordinary .....	<b>293,557,862</b>	275,545,036
Group .....	<b>386,759,136</b>	334,778,598
NEW BUSINESS		
Ordinary .....	<b>44,011,198</b>	36,922,607
TOTAL POLICYHOLDER		
BENEFITS .....	<b>7,798,497</b>	7,231,594
Dividends .....	<b>720,191</b>	707,329
Other Benefits .....	<b>7,078,306</b>	6,524,265
PREMIUM INCOME .....	<b>7,600,285</b>	6,586,062
INVESTMENT		
INCOME .....	<b>3,461,936</b>	3,331,193
TOTAL ASSETS .....	<b>60,429,744</b>	57,880,836
NET INVESTMENT		
YIELD .....	<b>6.05%</b>	6.07%
INVESTMENT & CONTINGENCY		
RESERVES .....	<b>1,400,000</b>	1,000,000
CAPITAL AND		
SURPLUS .....	<b>6,626,392</b>	6,308,045

Si vous désirez recevoir un exemplaire en français de ce Rapport annuel, veuillez vous adresser à notre succursale la plus proche.



# report of directors

## for the year 1968

Your Directors submit herewith their 66th Annual Report including the audited Financial Statements for the year 1968, with comparative figures for 1967.

### **New Business and Insurance In-force**

New ordinary insurance and annuities issued in 1968 totalled \$44.0 million, an increase of 16.4% over 1967. The annual premium income value of this new business is \$647,000, and compared to \$575,000 in 1967.

This encouraging trend developed from intensive work over past years in recruiting and training sales personnel as well as new insurance programs commenced during the year. As a result of this growing new business momentum and, of a reduction in lapses of existing policies, the total of business in-force at the year end reached \$680.3 million, an increase of 11.5%. Both the increase in business in-force for the year, and the total of insurance in-force at year end, represented new records for the Company.

Of the total business in-force, group life insurance accounted for \$386.8 million at the end of 1968 which compared with \$334.8 million at the previous year end.

### **Revenue**

Revenue, consisting of earned insurance premiums and investment earnings such as interest, dividends and rents, increased during 1968 to \$11,062,281 from \$9,917,254 in 1967, representing another all time record. This increase resulted from the growth of business in-force and in investment earnings, the latter reflecting the higher average interest rates obtained on the larger portfolio carried during the year. While net profit resulting from disposal of securities, at \$112,189, was lower than the comparable profit realized in 1967, the reduction reflects market conditions and a lower volume of trading in the portfolio.

### **Policyholder Dividends and Other Payments**

A portion of the Company's business in-force is participating and, accordingly, eligible to receive policyholder dividends. Such dividends amounted to \$720,191, resulting in a further reduction in the net cost of insurance to these policyholders.

During 1968, mortality experience applicable to your Company's policies in force improved so death claims showed a significant reduction.

An important part of the increase in actuarial reserves for insurance and annuity contracts for the benefit of policyholders resulted from the new insurance programs previously mentioned.

In 1968, payments to policyholders and beneficiaries, including dividends as above and the amount set aside to increase actuarial reserves, totalled \$7,798,497 (1967 - \$7,231,594).

### **Expenses**

Operating expenses were \$2,657,566 (1967 - \$2,468,832). The increase during the year arose in part from the significant increase in new business, and, in addition, the generally higher cost of doing business.

However these expenses were carefully controlled as evidenced by the fact that they increased 7.6% compared to a growth of 15.4% in earned premium.

### **Assets and Investment Yield**

Total assets increased during the year by over \$2.5 million. Mortgages continued to represent approximately 50% of total assets, and this portfolio performed satisfactorily and delinquencies were at an all time

low. Holdings of common stock increased during the year to 4.3% compared to 3.4% in 1967. This change was in conformity with current investment policy aimed at a gradual increase in such investments.

Net yield on all investments, after related expenses, decreased slightly to 6.05% from 6.07% in 1967 which was the highest rate recorded by the Company for some years. The decrease resulted mainly from higher policy loans and growth in common stock holdings with attendant lower yields, which, in the latter case, is acceptable as a hedge against current inflationary trends.

Total book value of all marketable securities, as stated in the Balance Sheet, was \$498,204 over values authorized by the Federal Department of Insurance. All securities consist of investments authorized by the Department of Insurance. To provide for fluctuations in security values, an Investment Reserve of \$1,000,000 is maintained but, because of the basic soundness of the portfolio, calls on this reserve are unlikely.

### **Policy Reserves and Other Liabilities**

Policy reserves for insurance and annuity contracts, at year end, amounted to \$44,938,680 which, with future premiums and investment earnings, are actuarially calculated to provide for all payments guaranteed under the terms of Sovereign policies. Ample provision, amounting to \$3,805,642, was made for other liabilities, including amounts on deposit, claims awaiting settlement, unreported claims and group experience rating refunds.

### **Total Capital and Surplus Accounts**

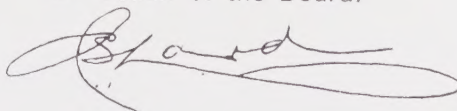
In view of the many unresolved questions concerning your Company's new tax liabilities resulting from the last Federal Budget, the amount of \$400,000 was appropriated to a Contingency Reserve to allow for maximum flexibility in the future.

As the final result of the year's operation an amount of \$318,347 was transferred to unassigned surplus which, as at December 31, 1968, totalled \$6,319,442. Accordingly the total of capital, surplus, and reserve accounts was \$8,026,392, equal to 13.3% of assets, which provided a substantial margin of protection for all policyholders.

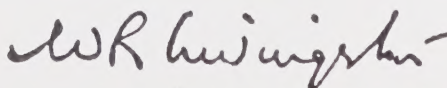
Your Board looks with confidence to continued business development in 1969. Many changes have taken place in the economic and financial environment during the past few years, and undoubtedly, more will occur in the future. Throughout, however, one fact remains unchanged: the unique ability of a life insurance contract to solve financial problems provides the only method of guaranteeing payments of fixed dollar amounts at some unpredictable future date, at a time of death, disability or retirement. In this constantly changing environment with its many exciting opportunities Sovereign is well positioned to respond creatively and with imagination to serve present and future policyholders.

As this report illustrates, 1968 was a year of solid progress for the Company made possible by the co-operative and dedicated teamwork of Sovereign personnel in Branch Offices across Canada and in Head Office. Your Directors record their appreciation and thanks to all members of the Sovereign family for their important contribution to the Company's success during the past year.

On behalf of the Board.



J. S. Land, President



W. R. Livingston, Vice President and  
Managing Director



# statement of revenue

for the year ended Dec. 31, 1968

## REVENUE

	1968	1967
Premiums .....	\$ 7,600,285	\$ 6,586,061
Interest, dividends and rents, less related expenses — \$267,110 (1967 - \$256,776) ....	3,461,936	3,331,193
Net profit on disposal of securities, less write-down — nil (1967 - \$52,370) .....	112,189	185,828
	<u>\$11,174,410</u>	<u>\$10,103,082</u>

## EXPENDITURE

Amounts paid to or set aside for policyholders and beneficiaries:		
Death and disability claims ....	2,418,812	2,708,244
Matured endowments .....	654,039	868,828
Annuity benefits .....	214,327	211,158
Surrender values .....	1,879,084	1,701,442
Increase in reserves for insurance and annuity contracts .....	1,767,061	801,919
Increase (decrease) in pro- vision for experience rating refunds .....	( 4,609)	93,658
Interest credited to funds on deposit .....	149,592	139,016
	<u>7,078,306</u>	<u>6,524,265</u>
Operating expenses .....	2,657,566	2,468,832
	<u>9,735,872</u>	<u>8,993,097</u>
Excess of revenue for the year	1,438,538	1,109,985
Transfer to contingency reserve .....	400,000	—
	<u>1,038,538</u>	<u>1,109,985</u>

## ALLOCATED AS FOLLOWS

Dividends to policyholders .....	720,191	707,329
Increase in unassigned surplus .....	318,347	402,656
	<u>\$ 1,038,538</u>	<u>\$ 1,109,985</u>

# balance sheet

as at December 31, 1968

## ASSETS

Bonds and debentures, at amortized cost or less (note) .....	
Common and preferred stocks, at cost or less (note) .....	
First mortgages and agreements for sale on real estate .....	
Loans on policies, secured by cash values .....	
Real Estate	
Purchased for income, at cost, less amounts written off - \$49,989 (1967 - \$38,093) .....	
Cash .....	
Premiums in course of collection .....	
Investment income due and accrued .....	
Other assets .....	

## NOTE

Valuation of bonds and debentures  
and preferred and common  
stocks —

Value stated in the balance  
sheet .....

Estimated market value .....

Maximum value at which these  
securities may be carried as  
prescribed by the insurance  
laws of Canada .....

## AUDITORS' REPORT TO THE

We have examined the balance sheet of the company of Canada as at December 31, 1968, then ended. Our examination included bonds and stocks by certificates of account and accounting procedures and such other evidence as we considered necessary.

The reserves and other liabilities and contracts are stated at amounts certified by the company.



1968	1967	LIABILITIES	1968	1967
\$23,060,221	\$21,663,168	Reserves for insurance and annuity contracts .....	\$44,938,680	\$43,171,619
2,572,935	1,978,956	Policyholders' funds on deposit .....	3,018,585	2,861,827
29,730,103	29,194,668	Policy claims in course of settlement and provisions for unreported claims of \$311,000 (1967 - \$305,000) ....	698,008	1,040,491
3,062,245	2,914,524	Mortgagors' tax prepayments ....	648,359	605,167
1,155,464	1,167,360	Premium and other taxes accrued .....	71,262	51,534
62,462	179,849	Other liabilities and accruals ....	164,710	242,804
190,549	202,003	Provision for dividends to policyholders .....	1,677,095	1,448,621
585,585	564,566	Provision for group experience refunds .....	89,049	93,658
10,180	15,742	Staff and agents' pension and insurance funds .....	1,097,604	1,057,070
			<u>\$52,403,352</u>	<u>\$50,572,791</u>
		CAPITAL - SURPLUS FUNDS		
		Capital stock		
		8,406 shares of \$100 each of which 24 shares are fully paid and 8,382 shares are \$25 paid .....	211,950	211,950
		Investment reserve .....	1,000,000	1,000,000
		Contingency reserve .....	400,000	—
		Shareholders' surplus .....	95,000	95,000
		Unassigned surplus .....	6,319,442	6,001,095
			<u>8,026,392</u>	<u>7,308,045</u>
			<u>\$60,429,744</u>	<u>\$57,880,836</u>
25,633,156	23,642,124			
23,620,515	21,505,623			
25,134,952	23,339,097			

SIGNED ON BEHALF OF THE BOARD

J. S. Land – Director  
W. R. Livingston – Director

## CYHOLDERS AND SHAREHOLDERS

et of The Sovereign Life Assurance Com-  
and the statement of revenue for the year  
rification of the cash and investments in  
he depositories, a general review of the  
accounting records and other supporting  
the circumstances.

under the various assurance and annuity  
by the company's actuary.

In our opinion, based upon our examination and upon the certificate of the  
company's actuary, these financial statements present fairly the financial position  
of the company as at December 31, 1968 and the results of its operations for the  
year then ended, in accordance with accounting practices appropriate to the insur-  
ance laws of Canada applied on a basis consistent with that of the preceding year.

January 27, 1969

McDONALD, CURRIE & CO.  
CHARTERED ACCOUNTANTS

## head office

### TORONTO

- 1320 Yonge Street, Toronto, 7, Canada

## branch offices

### HALIFAX

- Bayers Rd. Shopping Centre

### NEWFOUNDLAND

- Anderson Avenue, St. John's

### MONTREAL

- 1290, rue St-Denis
- 1945, boul Graham

### COWANSVILLE

- 125, rue Church

### DRUMMONDVILLE

- 100, place Girouard

### QUEBEC

- 235, boul Wilfrid-Hamel

### THETFORD MINES

- 466, rue O'Meara

### OTTAWA

- 1762 Carling Avenue

### BELLEVILLE

- 218A Front Street

### TORONTO

- 1320 Yonge Street
- 1141 Bay Street

### HAMILTON

- 115 Main Street East

### ST. CATHARINES

- 61 James Street

### KITCHENER-WATERLOO

- Waterloo Square

### LONDON

- 583 Willowdale Avenue

### LAKEHEAD

- 137 N. Syndicate Avenue,  
Fort William

### WINNIPEG

- 287 Broadway Avenue

### REGINA

- 1874 Scarth Street

### SASKATOON

- 230, 22nd Street East

### CALGARY

- 1300 8th Street S.W.
- Chinook Shopping Centre

### EDMONTON

- 10830 Jasper Avenue

### VANCOUVER

- 777 Hornby Street

Sovereign is a member of the IAC group of companies which provides throughout Canada a wide range of financial and insurance services including wholesale and retail sales financing, leasing, capital loans to business, consumer loans and casualty insurance.